

Message Text

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ORIGIN EUR-25

INFO OCT-01 ISO-00 SSO-00 PM-07 L-03 NSCE-00 USIE-00

CIAE-00 DODE-00 INR-10 NSAE-00 PA-03 RSC-01 PRS-01

SPC-03 INRE-00 TRSE-00 EB-11 SS-15 MBFR-04 SAJ-01

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DRAFTED BY EUR/WE:RPGALLAGHER/RD NE:CEK

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APPROVED BY EUR - MR STABLER

OSD/GC(IA) - J ALLEN(INFORMED)

L/PM - MR FIELDS (SUBST)

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O 122343Z SEP 73

FM SECSTATE WASHDC

TO AMEMBASSY ROME IMMEDIATE

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E.O. 11652: N/A

TAGS: MARR, IT

SUBJECT: DUNN-VANONI AGREEMENT: ASBCA DECISION

REFERENCE: A) STATE 177350; B) SECDEF 154344Z DEC 72

1. DEPARTMENT BELIEVES ARMED SERVICES BOARD OF CONTRACT APPEALS (ASBCA) DECISION OF AUGUST 28, 1973, SUSTAINING APPEAL OF IMPRESA CESICA FOR REIMBURSEMENT OF APPROXIMATELY 63,000 DOLLARS, UNDERMINES PROVISIONS OF EXTANT TAX RELIEF AGREEMENTS FOR COMMON DEFENSE EXPENDITURES IN ITALY AS EMBODIED IN THE DUNN-VANONI AGREEMENT.

2. THE DEPARTMENT IS FORMALLY REQUESTING THE DEPARTMENT OF DEFENSE TO INSTRUCT THE CONTRACTING OFFICER, MEDITERRANEAN DIVISION, CORPS OF ENGINEERS, CAMP DARBY, LIVORNO, OR OTHER CONCERNED MILITARY OFFICIALS, TO FILE WITH ASBCA

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MOTION FOR RECONSIDERATION. MOTION MUST BE FILED WITHIN

THIRTY DAYS FROM DATE INVOLVED PARTIES RECEIVE COPIES OF ORIGINAL DECISION, SENT ON AUGUST 24. THIS REQUEST IS IN ORDER TO BUY TIME TO RAISE THE MATTER AGAIN AT HIGH ITALIAN POLITICAL LEVELS.

3. DEPARTMENT REQUESTS THAT AMBASSADOR VOLPE TAKE THIS MATTER UP WITH PRIME MINISTER RUMOR AGAIN TO ASK THAT THE ITALIAN GOVERNMENT INTRODUCE LEGISLATION TO REIMBURSE ITALIAN COMPANIES FOR PAST TAXES PAID. THE AMBASSADOR

MAY WISH TO POINT OUT THAT, AS WE HAVE DISCUSSED IN THE PAST, (REF: B), IF USG IS CONSTRAINED TO PAY ITALIAN FIRMS FOR TAX OBLIGATIONS WHICH USG IS EXEMPT FROM UNDER DUNN-VANONI AGREEMENT, USG WILL HOLD GOI RESPONSIBLE FOR REPAYMENT TO THE USG OF THE AMOUNTS PAID TO ITALIAN CONTRACTORS.

4. AMBASSADOR VOLPE MAY WISH TO EXPRESS OUR CONCERN THAT DESPITE DISCUSSION ON THIS MATTER WITH THE HIGHEST LEVELS OF SUCCESSIVE ITALIAN GOVERNMENTS OVER THE PAST FOUR YEARS (INCLUDING THE PREVIOUS RUMOR GOVERNMENT) AND ACKNOWLEDGMENT BY THE GOI CONCERNING THE CONTINUING VALIDITY OF THE DUNN-VANONI AGREEMENT, THE ITALIAN GOVERNMENT HAS STILL NOT YET GIVEN FULL EFFECT TO THE PROVISIONS OF THAT AGREEMENT. CURRENT EFFORTS TO ACHIEVE EQUITABLE BURDEN-SHARING ARRANGEMENTS IN NATO UNDERSCORE THE IMPORTANCE OF URGENT ACTION BY THE GOI TO REIMBURSE THE BACK TAXES.

5. WE HAVE JUST RECEIVED ROME'S 9480 WHICH SUBSTANTIALLY PARALLELS OUR THINKING. WE STILL BELIEVE THAT A CALL ON PRIME MINISTER IS THE BEST FORUM, WITH AN AIDE-MEMOIRE ALONG THE LINES OF PARA 2 ROME'S 9480 WHICH THE EMBASSY MAY ITSELF DRAFT. RUSH

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